

FY 2019-2020 Virginia Beach Budget Response to Council Questions

Question Number: FY 20 38

Question: Since most of the Public will likely not read more than the Executive Summary, Please explain the line item “Future C.I.P. Commitments” on page 66, specifically 1. What appropriation language governs its expenditure 2. Why was it zero in 2018. 2.a. If because the line item did not exist until 2019 please explain why it was created 2.b. If the line item existed in 2018, what was the consequence of no appropriations 3. What is the source of revenue for the 2019 adjusted budget what is appropriation language that governs its expenditure 3.a. How much of the 2019 appropriation has been obligated? How much expended? How much is estimated to be in obligated at midnight on 30 June 2019? 4. How much of the proposed appropriation for FY20 is money not carried over for the FY19 appropriation. 4.a. What is the specific justification of the increase? What is the non-recoverable consequence if increase is not approved by City Council? 4.b. If the line item is reduced to zero to match 2018? Same set of questions for the line item on page 66 titled, "Reserve for Contingencies". Please construct a single sheet that identifies all the specific contingency funds and which budget volume and page they are documented on - in case of the CIP, they can be summarized by category of the CIP. In the past the appropriation for vehicle procurement had visibility on the page equivalent of page 66. Please provide for FY18 actual, FY19 adjusted and FY20 proposed unrestricted fund Trustee accounts and by Enterprise Fund.

Date Requested: March 29, 2019

Requested By: Councilman Moss

Department: Budget and Management Services

Response:

1. **Please explain the line item “Future C.I.P. Commitments” on page 66, specifically 1. What appropriation language governs its expenditure:**

A review of the Sandbridge TIF is conducted each year to determine the ability to fully fund obligations of the TIF. Any amount above that level of funding is budgeted in a reserve. Future CIP Commitments is a reserve established related to the Sandbridge TIF. This amount is estimated during the budget process and then is declared surplus and moved to General Fund Fund balance to support the CIP and a small amount of the Schools' Operating Budget in the following fiscal year. Please see Attachment A of the budget ordinance for the appropriation language.

2. **Why was is zero in 2018? If because the line item did not exist until 2019 please explain why it was created. If the line item existed in 2018, what was the consequence of no appropriations**
 - a. The FY 2017-18 actual reflects as \$0 because each year we transfer the full amount of this reserve within the Sandbridge TIF to an account in the General Fund, where it subsequently falls to fund balance to be used for the City and Schools' CIP and the Schools' Operating Budget in the following fiscal year.
 - b. The amount of surplus in FY 2017-18 was \$8,000,000.
3. **What is the source of revenue for the 2019 adjusted budget what is appropriation language that governs its expenditure 3.a. How much of the 2019 appropriation has been obligated? How much expended? How much is estimated to be in obligated at midnight on 30 June 2019?**

The source of revenue of the 2019 adjusted budget is the Sandbridge TIF. The appropriation language is the same as above.

- a. Part of the Sandbridge TIF is obligated to address beach replenishment at Sandbridge. The remaining FY 2018-19 amount is shown as future commitment and is declared surplus by City Council action with adoption of the Budget. This surplus will be obligated within the FY 2019-20 CIP (\$7,591,000 in the City and Schools' CIP, \$409,000 for Schools' Operating Budget). \$0 have been expended because this funding will remain in a reserve until June 30, 2018. By June 30, 2019, all of the 2019 appropriation will have been transferred to the General Fund and fall to General Fund Fund balance and be appropriated to the City and Schools' CIP in FY20 as well as the School's Operating Budget.

4. **How much of the proposed appropriation for FY20 is money not carried over for the FY19 appropriation. 4.a. What is the specific justification of the increase? What is the non-recoverable consequence if increase is not approved by City Council? 4.b. If the line item is reduced to zero to match 2018?**

None of the proposed FY20 appropriation is carried forward from FY 19.

- a. The increase is related to tax assessment growth and the proposed Real Estate tax rate increase within the Sandbridge TIF. If this increase is not approved by Council, the additional \$500,000 will fall to TIF fund balance and will not be used in the following year's City and School CIP or School Operating Budget.
- b. The line item was not truly \$0 in FY18 as explained above. However, if it was reduced to \$0 the full \$8.5 million would fall to TIF fund balance and would not be used as revenue to support any projects in the City and Schools' CIP or School Operating Budget for FY21.

5. Please explain the line item “Reserve for Contingencies” on page 66, specifically 1. What appropriation language governs it’s expenditure

1. The reserve for contingences line item on page 66 refers to several fund’s reserves. In FY 2019-20 these include:

Fund	Reason	Amount
General Fund	Compensation	\$7,855,199
General Fund	Building 19 Audiovisual Upgrades	\$150,000
General Fund	Regular	\$1,500,000
General Fund	Neighborhood Dredging	\$340,000
Sandbridge TIF	Reserve for Future Use	\$268,193
Neighborhood Dredging SSDs	Reserve for Future Use	\$489,365
Total		\$10,602,757

Each of these reserves is not captured elsewhere on page 66 because they do not “belong” to any one city department. For a full list of reserves by fund, see page 232 of the Operating Budget document.

The appropriation language is found in the budget ordinance:

“The City Manager or the Director of Budget and Management Services is hereby authorized to approve transfers of appropriations in an amount up to \$100,000 between any Appropriation Units included in this ordinance through the accrual period. The City Manager shall make a monthly report to the City Council of all transfers between \$25,000 and \$100,000. In addition, the City Manager may transfer, in amounts necessary, appropriations from all Reserves for Contingencies except Reserve for Contingencies – Regular, within the intent of the Reserve as approved by City Council.”

6. Why was is zero in 2018? If because the line item did not exist until 2019 please explain why it was created. If the line item existed in 2018, what was the consequence of no appropriations.

Reserves for contingencies were not truly \$0 in FY18. It shows as \$0 on this report because all of the funding was transferred to other accounts within the General Fund during the year. The true budgeted amount in this line item in FY18 was \$10,400,690, which is shown on page 226 of the FY 2017-18 Operating Budget document.

7. What is the source of revenue for the 2019 adjusted budget what is appropriation language that governs its expenditure 3.a. How much of the 2019 appropriation has been obligated? How much expended? How much is estimated to be in obligated at midnight on 30 June 2019?

The source of revenue for the general fund reserves is general government revenue (real estate, property tax, etc.).

- a. The table below shows each FY19 reserve, the amount expended through March, and the projected amount through June 30, 2019:

Reason	Budgeted Amount	Expended Amount Through March	Projected Remaining Amount June 30, 2019
Compensation/Attrition	\$5,683,640	\$5,633,002	\$50,638
Regular	\$1,500,000	\$835,746	\$0
Police Workforce	\$155,000	\$0	\$0
*Neighborhood Dredging	\$340,000	\$0	\$340,000
Advanced EMT Certification	\$180,000	\$0	\$0
Total	\$7,858,640	\$6,468,748	\$390,638

*No new neighborhood dredging SSDs are expected in FY 2018-19.

Because appropriation authority lapses with each fiscal year, none of the above amounts will be carried forward in the FY 2019-20 budget. Any remaining amount will fall to General Fund fund balance on June 30, 2018, unless City Council approves their use for other purposes prior to year-end.

8. How much of the proposed appropriation for FY20 is money not carried over for the FY19 appropriation. 4.a. What is the specific justification of the increase? What is the non-recoverable consequence if increase is not approved by City Council? 4.b. If the line item is reduced to zero to match 2018?

None of the proposed FY20 appropriations is carried over from FY19. Because appropriation authority lapses with each fiscal year, none of the above amounts will be carried forward in the FY 2019-20 budget. Any remaining amount will fall to General Fund fund balance on June 30, 2018

a. Despite a 3% proposed compensation increase and vertical compression adjustment, there is not an increase when compared to the 2% reserve budget in FY19. This is due to the proposed use of attrition to cover 1% of the compensation increase and vertical compression adjustments.

b. The line item was not truly \$0 in FY18 because expenditures do not occur in reserve line items.

9. Please construct a single sheet that identifies all the specific contingency funds and which budget volume and page they are documented on - in case of the CIP, they can be summarized by category of the CIP

Please see page 232 of the operating budget document for a full list of operating budget reserves by fund. The table below shows the current total budgeted contingency amount by CIP section, including appropriations to date, as well as future funding need.

Section	Total Contingency
Buildings	\$19,419,244
Coastal	\$1,713,000
Economic and Tourism Development	\$31,612,642
Parks and Recreation	\$4,144,240
Roadways	\$121,130,314
Water & Sewer	\$ 42,313,873
Storm Water	\$61,916,016
Schools	\$22,714,806

10. In the past the appropriation for vehicle procurement had visibility on the page equivalent of page 66. Please provide for FY18 actual, FY19 adjusted and FY20 proposed unrestricted fund Trustee accounts and by Enterprise Fund.

Vehicle Replacements by Fund

	FY 18 Actuals	FY 19 Adjusted	FY 20 Budget
General Fund	\$6,113,402	\$5,357,514	\$5,357,514
TIP	\$296,895	\$156,000	\$0
Grants Consolidated	\$18,126	\$0	\$0
Parking Enterprise	\$23,607	\$0	\$0
Storm Water	\$1,469,045	\$1,174,000	\$1,000,000
Waste Management	\$2,181,633	\$1,911,864	\$2,965,450
Water and Sewer	\$2,412,586	\$3,266,700	\$2,170,500

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

**AN ORDINANCE TO DECLARE \$8,000,000 OF FUNDING
WITHIN THE SANDBRIDGE TAX INCREMENT FINANCING
DISTRICT AS SURPLUS FUNDS IN THE FY 2018-19 OPERATING
BUDGET**

WHEREAS, the Sandbridge Tax Increment Financing District (Sandbridge TIF) and the Sandbridge Special Service District (Sandbridge SSD), were established to provide a funding source for beach and shoreline restoration and management at Sandbridge;

WHEREAS, an analysis of the Sandbridge TIF and the Sandbridge SSD occurs annually to ensure that funding is adequate for long-term beach and shoreline restoration and management along Sandbridge;

WHEREAS, current projections indicate that the Sandbridge TIF and Sandbridge SSD have sufficient funding to meet long-term obligations for beach and shoreline restoration and management;

WHEREAS, projections also indicate that the funding available exceeds the long-term obligations of the project; and

WHEREAS, \$ 8,000,000 is available as an unencumbered appropriation in the FY 2017~~8~~-18~~9~~ Sandbridge TIF Reserve for Future Commitments.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF VIRGINIA BEACH, VIRGINIA:

That \$ 8,000,000 of funding within the Sandbridge TIF is hereby declared to be in excess of the long-term obligations for beach and shoreline restoration and management and is hereby declared surplus.

BE IT FURTHER ORDAINED: That this ordinance shall be effective on June 30, 2019.

Adopted by the City Council of the City of Virginia Beach, Virginia, on the ___ day of May, 2019.

APPROVED AS TO CONTENT:

APPROVED AS TO LEGAL SUFFICIENCY:

David Bradley
Budget and Management Services

Dana Harmeyer
City Attorney's Office